

# The Vision We Seek through Creation of Social Value



<sup>\*1</sup> Copernicus Climate Change Service survey (2024) <sup>\*2</sup> "White Paper on the Environment, the Sound Material-Cycle Society, and Biodiversity in Graphs", Japanese Ministry of the Environment (2010) <sup>\*3</sup> UNICEF survey (2021) <sup>\*4</sup> "Comprehensive Survey of Living Conditions", Japanese Ministry of Health, Labour and Welfare (2023) <sup>\*5</sup> World Bank statistics (2022) <sup>\*6</sup> "Annual Report on the Ageing Society", Japan Cabinet Office (2023) <sup>\*7</sup> "Population Estimates", Japanese Ministry of Internal Affairs and Communications (2023) <sup>\*8</sup> IMF statistics (2023) <sup>\*9</sup> "Current Status of Depopulation Measures", Japanese Ministry of Internal Affairs and Communications (2021)

*Message from*

# Group CSuO

The social issues faced by the world have become increasingly diverse and severe in recent years, and the mindset of stakeholders is steadily changing. Amid growing expectations toward companies to proactively and concretely contribute to solving social issues, in our Medium-Term Management Plan that began in April 2023, SMBC Group set forth “Create Social Value” as one pillar of our management and established “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Declining Population,” and “Japan’s Regrowth” as five priority issues (materialities). Under this framework, our Group has begun working as one to solve social issues.

Many employees endorsed our aim of creating social value upon the release of the Medium-Term Management Plan, yet some expressed uncertainty over what specifically should be done. To first ensure that employees solidly understand and agree with our aims, we held town hall meetings at sites in Japan and overseas, repeatedly discussed the background behind our addressing the creation of social value and our specific actions, and incorporated efforts to create social value into our evaluation system for all departments and employees.

To further back up our employees, in FY2024 we put forth a slogan of “Participation by all” for the 120,000 employees in our Group, under which we are energetically advancing measures that include support for activities and expansion of opportunities to be part of the creation of social value. Specific actions include setting an expense budget of ¥10 billion and an investment fund of ¥40 billion, creation of materials for use by employees in discussing social issues with customers, and expansion of our pro-bono work and commendation systems. Our measures are yielding results, with our most recent questionnaire showing over 60% of employees responding positively that they’ve undertaken actions to solve social issues in conjunction with their own work.

Through our initiatives under participation by all employees and leveraging our extensive customer base and our wide-ranging points of contact with society, we will cooperate with partners in tackling solutions to even more social issues.

On the topic of environmental issues, the correlation between climate change and natural capital and the

impacts of climate change on social issues such as human rights and health are pointed out. The company of climate change issues have become apparent. We intend to make the greatest possible contribution as a global financial group to address this major challenge. Specifically, we are focusing on initiatives such as, financial and non-financial support for decarbonization efforts by domestic and overseas customers, raising our level of risk-taking for new energy and other new technologies such as offshore wind power and hydrogen-reduced iron, and providing transition finance. While transitions in Asia are particularly difficult from the “Just Transition” perspective, as a financial institution pursuing a multi-franchise strategy in Asia and aiming for sustainable growth together with regional economies, we are committed to responding effectively. Given that the climate change presents us with not only business opportunities but also risks, we will strive to constantly raise the level of our governance.

We are also promoting visualization of our efforts aimed at creation of social value and have decided to publish details in our Impact Report. As the creation of social value becomes more important, we believe that along with financial indicators, positive and negative impacts on society and the environment will grow in importance as new metrics for measuring corporate value. By making these impacts visual, we will work toward the expansion of relevant solutions, enhancement of employees’ understanding, and objective and transparent disclosure toward stakeholders.

As Group CSuO, I will make every effort to ensure that SMBC Group executives and employees continue working as one to take the lead in solving social issues, and connect our action to the creation of social value and further to the enhancement of our corporate value.



## Our initiatives on Materiality Aimed at the Creation of Social Value

SMBC Group has selected five priority issues (materialities) to be proactively addressed: “Environment,” “DE&I/Human Rights,” “Poverty & Inequality,” “Declining Birthrate & Aging Population,” and “Japan’s Regrowth.” We are also promoting initiatives toward the creation of social value under ten goals along with key performance indicators (KPIs).

Materiality	10 goals	Key performance indicators (KPIs)	Reference: FY2023 results	
Environment	Support transition to achieve a decarbonized society	Sustainable finance ¥50 trillion (FY3/21-30)	¥24 trillion (FY3/21-24)	
	Contribute to the conservation and the restoration of natural capital			
DE&I/Human Rights	Realize a workplace where employees enjoy high job satisfaction	Engagement score Maintain at least 70	72	
	Respect for human rights throughout the supply chain			
Poverty & Inequality	Break the cycle of poverty and inequality for the next generation	Number of microfinance borrowers +800,000 people (FY3/26, compared to FY3/23)	+153,000 people (compared to FY3/23)	
	Contribute to financial inclusion in developing countries			
Declining Birthrate & Aging Population	Relieve anxiety about the 100-year life era	AM/foreign currency balance ¥18 trillion (FY3/26)	¥17 trillion	
	Build user-friendly infrastructure to support a society with a declining population			
Japan’s Regrowth	Support customers' business model transformation	Investment and loans for startups ¥135 billion (FY3/24-26)	¥79.2 billion	
	Create innovation and foster new industries			

## Materiality identification process

1

### Identification of social issues to be addressed

We identified social issues with the potential to have a significant impact on SMBC Group and society, based on our top risks and past efforts to resolve social issues as well as global issues and efforts by Japan's government.

2

### Discussion and examination

Approximately 20,000 employees in Japan and overseas responded to a questionnaire survey on social issues on which SMBC Group should focus.


In addition to Management Committee meetings, Diversity Committee meetings, and other meetings on the executive side, discussions were held in Board of Directors meetings and Sustainability Committee meetings on the supervisory side.

We selected five materialities and ten goals based on the results of the employee survey and on opinions from both the supervisory and executive sides (including the opinions of external committee members).

3

### Institutional decisions

We added KPIs associated with our materialities and targets, with decisions made by the Board of Directors following deliberation by the Management Committee.

	Directions for action	Related SDGs
	<ul style="list-style-type: none"> <li>Working to support customers' transition to net zero and technological innovations in order to contribute maximally to decarbonization</li> <li>Working to create more advanced solutions for customers, such as risk analysis and financing, based on the importance of preserving and restoring natural capital</li> </ul>	      
	<ul style="list-style-type: none"> <li>Developing a group-wide framework to ensure the human rights of everyone involved with SMBC Group are respected</li> <li>To ensure diversity, respecting the individuality of every employee. Providing programs to enable work styles and lifestyles that match individual values</li> <li>Encouraging highly motivated employees to collaborate with relevant parties in and outside the company to further promote social issue solutions, as part of their job. Creating an environment for these activities that is supported by their managers and colleagues</li> <li>Creating programs that allows all employees to grow and demonstrate their abilities</li> </ul>	   
	<ul style="list-style-type: none"> <li>Creating societies where people with abilities are given opportunities to grow, demonstrate their full potential, and play active roles. Regardless of the environment in which they were born, we want children to have hope for the future</li> </ul>	       
	<ul style="list-style-type: none"> <li>Working to relieve various anxieties about the era of 100-year life by collaborating across industries and enhancing products and services, including non-financial ones, to meet various customer needs</li> <li>Working to leverage digital technology to provide user-friendly financial services accessible anytime, anywhere to all customers</li> </ul>	   
	<ul style="list-style-type: none"> <li>Finance supporting matched to growth stages, building and catalyzing ecosystems for startups, supporting new technology development for GX and DX, assisting with transitions related to climate change, and more</li> <li>Working to provide opportunities related to sports, arts, and other areas to provide opportunities broadly to youth with a promising future</li> </ul>	      

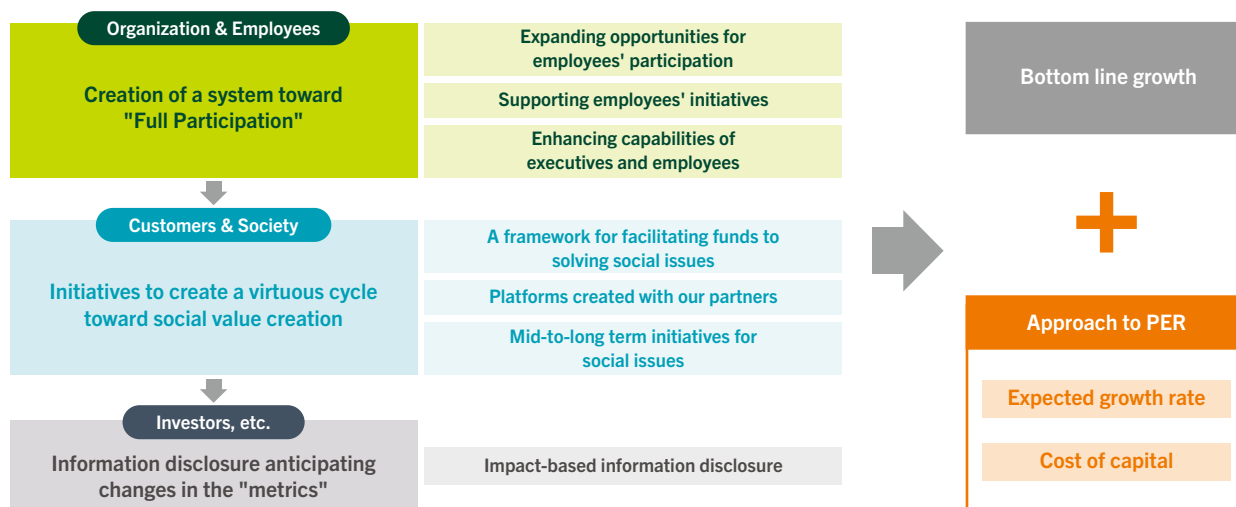
# Enhancement of corporate value through the creation of social value

Even before the realization of short-term profits, efforts to create social value contribute to the enhancement of corporate value by influencing Price-to-Earnings Ratio (PER) through improvement of expected growth rate and lowering of cost of capital.

SMBC Group has set forth three pillars for our creation of social value. The first pillar is the “Creation of a system toward full participation”. By personally identifying with the solving of social issues and by tackling solutions autonomously, all of our approximately 120,000 employees can yield enormous impacts.

The second pillar is “initiatives that create a virtuous cycle toward social value creation”. We will work to solve even more social issues not only through our own initiatives but also through collaboration with customers and society.

The third pillar is “information disclosure that anticipates changes in the “metrics.” To enhance our corporate value by appealing our efforts externally, we will also tackle measurement and advanced disclosure of the impacts we have on society and the environment through our initiatives.



## Promotion structure

To continuously raise the level of our sustainability management, SMBC Group has established a Sustainability Committee and Corporate Sustainability Committee from both supervisory and executive aspect. In April 2024, we established the Sustainability Division for Fulfilled Growth to further strengthen our group-wide efforts for the creation of social value.





## Creation of a system toward “Full participation”

### ● Expanding opportunities for employees' participation

The SMBC Group Pro Bono Work Project allows the allocation of up to 20% of employees' working hours to activities such as work with NPOs. In the fiscal year 2024, we expect participation to outnumber that of the previous year. We also plan meetings directly under the Group CEO aimed at turning ideas for the creation of social value into projects, as well as events for addressing social value creation at all of our offices in Japan and overseas.

### ● Supporting employees' initiatives

Accelerating the creation of social value requires that employees personally identify with this goal and address it on their own. As a mechanism to support autonomous activities by employees, SMBC Group has established an expense budget of ¥10 billion and an investment fund of ¥40 billion for use in initiatives to create social value, and has developed in-house training and commendation systems as well. We will continuously invest management resources in measures for the creation of social value while solidly backing up employees' efforts.

### ● Enhancing capabilities of executives and employees

While further enhancing the expertise of our executives, we work to enhance the capabilities of employees through the systematization and expansion of sustainability training. Among our ongoing efforts to foster awareness, we conduct study sessions led by the Group CSuO and round-table discussions titled “Social Value Creation Caravan,” distribute booklets to all Group employees, and communicate through newsletters and messages from top management.

CSuO Channel

Cumulative total  
**2,000** participants

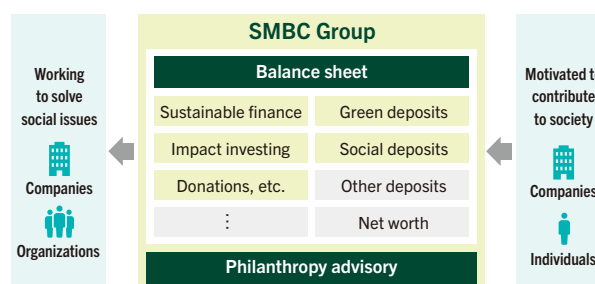
Social Value Creation Caravan

Japan and overseas  
**196** offices

## Initiatives to create a virtuous cycle toward social value creation

### ● A framework for facilitating funds to solving social issues

As a financial institution, SMBC Group financially connects customers who are tackling social issues and customers who wish to contribute to such efforts. By doing so, we aid the creation of mechanisms that promote the circulation of funds for solving social issues. In 2024, we launched social deposits aimed at relieving poverty and inequality, etc., along with impact investments in startups. In impact investment, we go beyond funding alone to share know-how and provide other support.



### ● Platforms created with partners

Creation of social value cannot be achieved by SMBC Group acting on its own. As cooperation with customers, society, and other stakeholders is vital in creating social value, we operate a business operator community for industry-academia collaboration and for solving social issues. With the endorsement of over 1,700 companies, the GREEN x GLOBE Partners business community implements support programs for the creation of social value. Through such platforms, we will continue undertaking the creation of social value.

## Information disclosure anticipating changes in the “metrics”

### ● Impacts envisioned by SMBC Group and the significance of visualization

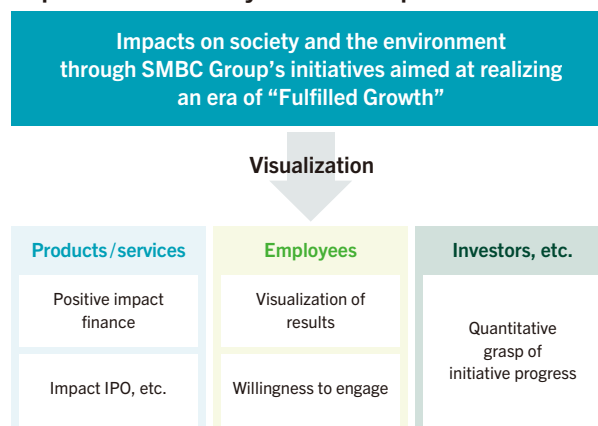
As creation of social value becomes more important, not only financial indicators but also positive and negative impacts on society and the environment will grow in importance as new metrics for measuring corporate value.

Realizing an era of “Fulfilled Growth” will require that we maximize positive impacts while reducing adverse impacts. We believe that visualizing and properly managing impacts will lead to achieving the abovementioned goal.

Visualization of impacts also enables expansion of related solutions and impresses on employees the significance of undertaking social value creation. Moreover, we believe that this will contribute to the evaluation of our medium- to long-term corporate value by allowing investors and other stakeholders to quantitatively and objectively understand the status of our initiatives.

For details of our efforts toward visualization of impacts, please see our new Impact Report.

### Impacts as viewed by SMBC Group



### ● Existing impact indicators

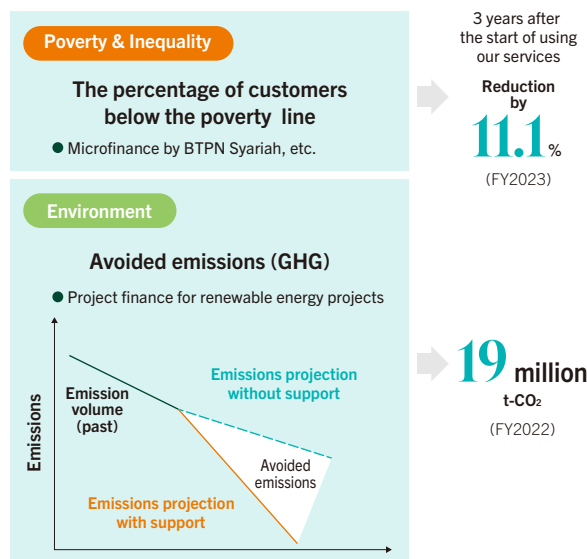
For a number of our initiatives, SMBC Group has already set impact indicators that we measure and disclose.

As an example, BTPN Syariah supports social independence by serving underprivileged persons, including women running family businesses in agricultural areas, with microfinance and other financial and non-financial services. To evaluate the effectiveness of these efforts, we work with an external organization to measure the ratio of customers with income below the poverty line. This indicator declined by 11.1% in 2023 for customers who had begun using our services three years earlier.

With regards to decarbonization efforts, we calculated the avoided emissions for finance related to renewable energy projects. In FY 2022, SMBC contributed to the reduction of CO<sub>2</sub> emissions\* totaling 19 million t-CO<sub>2</sub> through project financing for renewable energy projects.

\* Calculated as GHG reduction effects for projects overall

### Examples of indicators



## ● Steps in visualization of impacts, and efforts by SMBC Group

In FY2023, SMBC Group began efforts aimed at the visualization of impacts. We first aim to organize steps ①—⑤ leading to visualization, take action according to these steps, and finally measure and disclose indicators. We will continue working on these steps, revising them as necessary.

### Step ① **In-depth analysis of Materiality** Analyzing the factors of the issues and our initiatives

### Step ② **Identifying topics for making impact visible** Specifying topics based on the impact brought by initiatives

We first identify social issues that pertain to our materialities. We next analyze the scale of stakeholders that seek solutions to the issues, the effects of solutions, and the possibilities for SMBC Group to contribute to solutions. Based on the analysis, we also identify efforts that make impacts visual.

As an example, we are working on the materiality “Japan’s Regrowth,” as shown at right.

#### Social issues related to “Japan’s Regrowth” (examples)

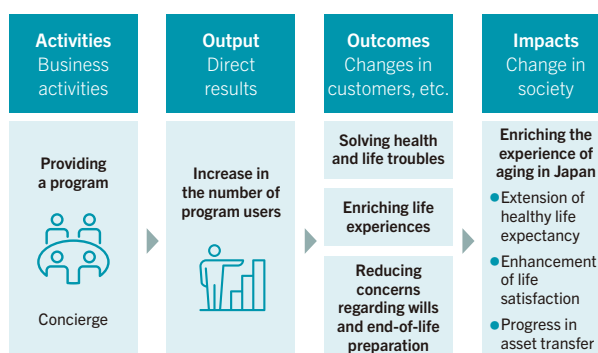
		Evaluation items		
		Stakeholders (examples)	Effects (examples)	Possibilities to contribute (examples)
Labor market	Worsening of human resource shortages	Companies	Sustainable growth of companies	DX Solution
Working environment	Poor working environment for diverse human resources	Workers	Demonstration of workers' capabilities	Consulting
Human capital	Insufficient investment in human capital	Companies	Sustainable growth of companies	HR Solution
Technology development	Delay in practical application of advanced technology	Companies	Increase in sales and profitability	M&A
Productivity	Low productivity due to insufficient investment in digital technology	Companies	Productivity enhancement	DX Solution
Industrial metabolism	Growth of startups	Companies	Development and growth of companies	Finance
...	...	...	...	...

### Step ③ **Developing logic models** Logically explaining the relations between initiatives and our goals

A logic model is a tree-type diagram that clarifies to whom and what results (outputs) are to be brought and what changes and outcomes (outcomes/impacts) are to be aimed through inputs and activities.

As an example, looking at the SMBC Elder Program that supports customers’ longevity in the era of 100-year lifespans, we capture how the activity of offering the program leads to the output of an increase in program users. We also clarify the causal relationship between the outcome of changes in customers and the impact of changes in society.

#### Logic model of SMBC Elder Program (conceptual image)



### Step ④ **Setting impact-based metrics** Establishing measurable metrics to show the impact

### Step ⑤ **Measurement and disclosure** Measuring and disclosing data



## Environment

## Climate change response

Climate change is one of the most important social issues that the world must urgently address. SMBC Group believes that contribution to decarbonization of the real economy is the biggest role that financial institutions should play in achieving net zero emissions. We aim to achieve this alongside SMBC Group's own achievement of net zero.

There is no single optimal path to decarbonization; the path varies by country and sector. Accordingly, rather than merely withdrawing funding from high-emission sectors, SMBC Group will support customers' transitions and technological innovation with understanding of their individual circumstances. We engage in support that leverages our strengths, matched to customers' strategies and needs.

## Contributing to Decarbonization of the Real Economy

- 1 Risk-taking in new energy and new technologies
- 2 Supporting Transition in the world, including Japan/Asia
- 3 Visualization of ESG related challenges within the whole supply chain
- 4 Co-creation of businesses with our customers towards decarbonization
- 5 Offering diverse and group-based solutions



## Achieving Net Zero within SMBC Group

Considerations	Main items
Policy	<ul style="list-style-type: none"> <li>Policies for Specific Businesses and Sectors</li> <li>Phase-out Strategy</li> </ul>
Portfolio Management	<ul style="list-style-type: none"> <li>Climate-related RAF</li> <li>Environment/Social Risk Assessment</li> </ul>
Customer/Project Management	<ul style="list-style-type: none"> <li>Environmental and Social Due Diligence</li> </ul>

## Summary of our Transition Plan for Achieving Net Zero

SMBC Group aims to achieve net zero in our own GHG emissions (hereinafter "Scope 1 and 2 emissions") by 2030 and net zero GHG emissions throughout our investment and loan portfolio (hereinafter "Scope 3 emissions") by 2050. We have systemized the goals and actions leading to this achievement as our Transition Plan for Achieving Net Zero.

Foundation	Corporate policy on climate change and the approach for initiatives	<ul style="list-style-type: none"> <li>"SMBC Group Statement on Sustainability" "Group Environmental Policy"</li> <li>Net zero Scope 1 and 2 emissions by 2030, net zero Scope 3 emissions by 2050</li> </ul>
Governance	Strengthening governance on climate change	<ul style="list-style-type: none"> <li>Supervision by the Board of Directors, internal committees including the Sustainability Committee; overall oversight and promotion by the Group CSuO</li> <li>More advanced of executive compensation system; internal control process management</li> <li>Capability building for directors and employees</li> </ul>
Implementation strategy	Products and services related to climate change	<ul style="list-style-type: none"> <li>Enhancement of decarbonization solutions, business co-creation aimed at decarbonization, expansion of sustainable finance</li> </ul>
	Climate-related risk assessment and management	<ul style="list-style-type: none"> <li>Strengthen Policies for specific Business and Sectors; introduction of environmental and social due diligence</li> </ul>
	Scope 3	<ul style="list-style-type: none"> <li>Expansion of portfolio GHG calculation and target setting; development of targets and indicators to support decarbonization of real economy</li> </ul>
	Scopes 1 and 2	<ul style="list-style-type: none"> <li>Switching to renewable electricity and company cars to EVs</li> </ul>
Engagement Strategy	Customers	<ul style="list-style-type: none"> <li>Established Transition Finance Playbook</li> <li>Introduced company-specific assessment framework on transition plan</li> </ul>
	Industry	<ul style="list-style-type: none"> <li>Participate in initiatives such as GFANZ, NZBA, NZAMI, PCAF, IIF, Japan Hydrogen Association (JH2A), etc.</li> </ul>
	The Government	<ul style="list-style-type: none"> <li>Participate in committees held by the Government of Japan</li> </ul>
Metrics and Targets	Sustainable finance	<ul style="list-style-type: none"> <li>Cumulative ¥50 trillion by FY3/30</li> </ul>
	Scope 3	<ul style="list-style-type: none"> <li>Setting targets on power, coal, oil &amp; gas, steel, automobile, and real estate sectors</li> <li>Setting KPIs related to transitions</li> </ul>
	Scopes 1 and 2	<ul style="list-style-type: none"> <li>40% and 55% decrease in FY25 and FY26 respectively from FY21</li> </ul>

## Contribution to decarbonization of the real economy

SMBC Group will endeavor to introduce new energy sources such as hydrogen and new technologies for decarbonization. Doing so, we will make maximum contributions as a financial institution to achieving decarbonization of the real economy.

### 1. Risk-taking in new energy and new technologies

Over the short term, the development of new energy and new technologies, in addition to the wider adoption of existing technologies and reduction of costs, will be important for achieving net zero. SMBC has long demonstrated its strengths as a pioneer in the field of large-scale project financing for power plants and other infrastructure supporting socio-economic advancement. Taking advantage of this know-how, we are leading the market in participation in advanced projects, including the world's first large-scale green steel project. We will continue to resolutely tackle the areas of new energy and new technologies.

### Sustainable finance

To achieve a net zero society, we actively provide financial support for technological innovation and large-scale capital investments aimed at medium- to long-term reduction of GHG emissions. SMBC Group has set a cumulative ¥50 trillion as our target for sustainable finance for the 10 years from FY2020 to FY2029. The amount allocated to initiatives is progressing steadily, reaching a cumulative ¥24 trillion in FY2023.

We define sustainable finance strictly in accordance with the Green Bond Principles and Social Bond Principles of the International Capital Market Association (ICMA, and others).

1980s onward

#### Foundations of socio-economic advancement

Power	Natural resources	Theme parks	Infrastructure	PFI	Chemical
-------	-------------------	-------------	----------------	-----	----------

2020s onward

#### New energy, new technologies

Green data center	Onshore and offshore wind power	Hydrogen-reduced iron	Solar Power	Storage battery	Green hydrogen
-------------------	---------------------------------	-----------------------	-------------	-----------------	----------------

Americas

Data center deal



Australia

Appointment as financial advisor for green hydrogen project

CQ-H<sub>2</sub>

Central Queensland Hydrogen Project

Japan

Investment fund for hydrogen  
Scheduled for establishment  
in the first half of FY2024

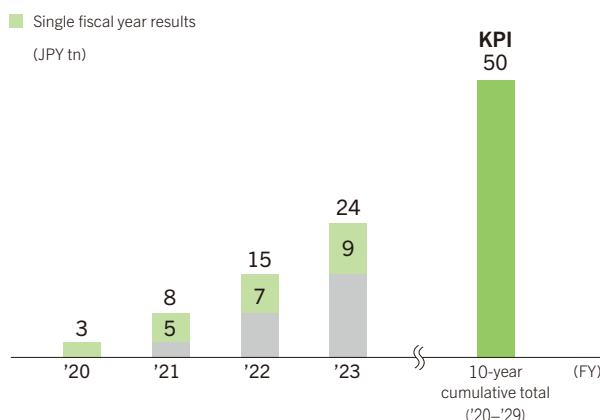
Japan Hydrogen Association

Europe

World's first large-scale  
green steel project



### Amount of Sustainable finance (cumulative)



## 2. Supporting transitions in the world, including Japan/Asia

### Transition finance

Support for hard-to-abate sectors is vital for achieving worldwide carbon neutrality at an early stage. This is because technical and economic alternatives for achieving decarbonization are often limited, and they face challenges to leapfrog to a low carbon economy. We financial institutions play a role in providing transition finance that promotes sustainable decarbonization and energy transition. As the definition of transition is not unified globally, SMBC Group acted ahead of many other financial institutions to set a definitions for transition finance for our Group in our “Transition Finance Playbook.” The Playbook is based on principles/guidance of international transition finance, as well as national and regional policies and regulations. Using the Playbook, in FY2023 we carried out over 100 meetings with customers and approved 21 transition finance deals.



### Transition Finance Playbook

Summary	Shows SMBC Group's definition and criteria of Transition Finance and its decision-making process	
Goals	<ol style="list-style-type: none"> <li>1 Develop an objective and rational criteria</li> <li>2 Ensure accountability towards stakeholders</li> <li>3 Utilize the Playbook within customer engagement</li> </ol>	
Results	Engaged <b>100</b> meetings	Approved <b>21</b> deals

### Identified issues and our responses

In dialogues with customers, the following transition finance-related issues have come into view.

- 1) Although transition finance contributes to decarbonization of the real economy, “finance providers’” Scope 3 emissions temporarily increase
- 2) There is insufficient discussion surrounding the massive cost burden necessary for transition

Recognizing these issues, we plan to release a progress report on transition finance in the first half of FY2024, summarizing insights and recommendations obtained from projects. To solve these issues, we will collaborate with customers and government authorities on initiatives to promote global transitions.

### Contribution to decarbonization in Asia

While the world seeks to realize net zero emissions, many companies in Asian nations that are highly dependent on fossil fuels face circumstances that complicate the formulation of transition plans. SMBC Group will play a vital role in providing support that encompasses such companies as we work to achieve the goals of the Paris Agreement.

We have carried out a number of transactions to promote energy transitions, including support for the early retirement and decommissioning of coal-fired power plants, and will continue making contributions to decarbonization in Asia.

We also participate in industry-academia-government initiatives including Glasgow Financial Alliance for Net Zero (GFANZ) and the Asia Zero Emission Community (AZEC), and are actively involved in the process of formulating global rules for energy transitions and net zero emissions in Asia.

### 3. Visualization of ESG related challenges within the whole supply chain

The “Sustana” cloud service developed by SMBC uses a variety of business data held by customers to calculate GHG emissions and support information disclosure. The service is also equipped with functions for recommending reduction measures, including those involving Scope 3 emissions. Since the service’s launch in 2022, number of user companies have exceeded 1,900.

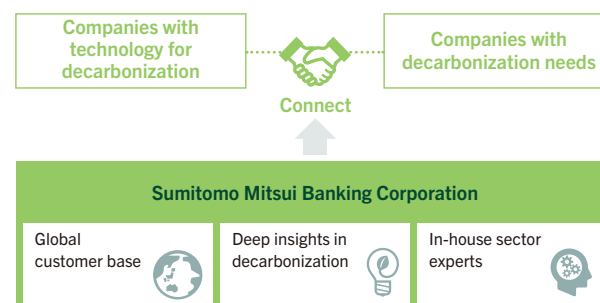
We also engage in data cooperation with companies such as Zeroboard and NEC, and are fielding an increasing number of requests for consultation from companies regarding the use of visualized GHG-related data and specific actions to reduce emissions. To align ourselves more closely with these companies’ issues, we will strive to expand the solutions we offer by means including co-creation with external partners.

In recent years, companies face requirements to enact measures against climate change while undertaking ESG management throughout the supply chain. In October 2023, SMBC Group launched a business alliance with Asuene inc. to jointly offer the Asuene ESG cloud service that supports the identification and solving of ESG issues in the supply chain. This series of services marks the first such undertaking by a financial institution in Japan.

By providing DX-based solutions, SMBC Group will continue to support customers in their decarbonization management.

### 4. Co-creation of business with our customers towards decarbonization

SMBC is also actively working on business co-creation that connects customers who have decarbonization technologies with customers who have decarbonization needs. This effort contributes to reducing customers’ GHG emissions while also generating new business opportunities for us as a financial institution. Leveraging our global customer base, our extensive experience in decarbonization-related technologies, and the knowledge of our in-house experts, we will continue to co-create businesses with customers to generate new value as we contribute to realizing net zero emissions.



### 5. Offering diverse group-based solutions

SMBC Group offers a variety of solutions across the Group as part of our end-to-end support for customers’ decarbonization efforts.

As an example, SMFL MIRAI Partners Company, a strategic subsidiary of Mitsui Sumitomo Finance and Leasing, offers the grid storage battery business and the renewable energy power generation business. In addition SMBC engages in initiatives that cross the conventional boundaries of financial institutions, including support for the sale and development support of carbon credits.

## SMBC Group's initiatives to achieve net zero

SMBC Group engages in appropriate management of policy, portfolios, individual customers, and projects to achieve our net zero targets.

### 1. Policy

#### ● Policies for Specific Business and Sectors

SMBC Group has established Policies for Specific Business and Sectors that present significant potential impacts on the environment and society. In FY2023, we strengthened our policies regarding coal-fired power generation and thermal coal mining, and established new policies regarding the biomass power generation business.

#### Coal-fired power generation and thermal coal mining (coal-related sectors)

We are working to tighten our loan policies and to formulate phase-out strategies. Specifically, we have clearly stated our intent to not support newly planned/expansion of projects and have set a target of a zero loan balance, as indicated at right.

#### Biomass power generation business

We established new policies for this area in FY2023, confirming the use of sustainable combustion materials in new construction and expansion of the woody biomass energy generation plants.

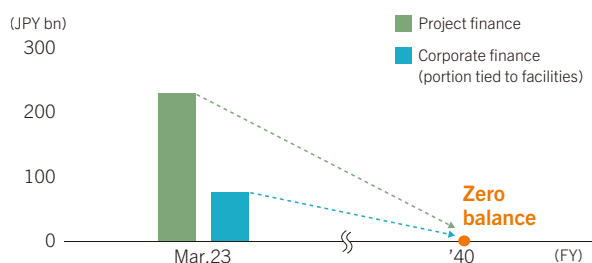
### 2. Portfolio management

#### Setting of interim reduction targets

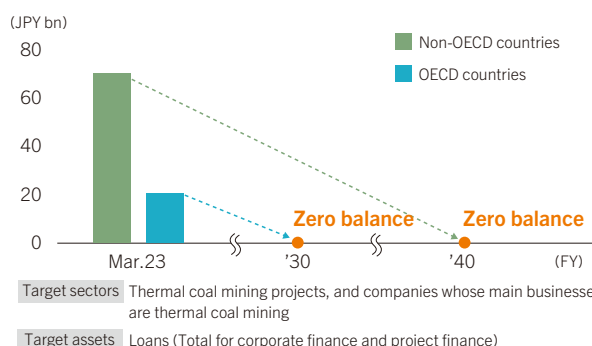
We aim to achieve net zero emissions for Scope 3 by 2050. SMBC Group is a member of the Net-Zero Banking Alliance (NZBA). In accordance with NZBA guidelines, we completed the setting of medium-term reduction targets for the six carbon-intensive sectors of power, oil and gas, coal, automobiles, steel, and real estate. GHG emissions from these

Considerations	Main Items
Policy	Policies for Specific Businesses and Sectors
	Phase-out Strategy
Portfolio Management	Climate-related RAF
	Environmental/Social Risk Assessment
Customer/Project Management	Environmental and Social Due Diligence

#### Loans for coal-fired power generation\*1



#### Loans for thermal coal mining\*1, 2



\*1 Calculated using end-of-period exchange rates

\*2 The definition has been changed from data in TCFD Report 2023 and the scope of aggregation has been expanded

sectors account for about 70% of SMBC Group's Scope 3 emissions. In these carbon-intensive sectors, we will first firmly outline a path toward reduction by 2030 and will aim to achieve net zero emissions across our investment and loan portfolio by 2050.

Management Messages	Value Creation Story	Create Social Value / Pursue Economic Value	Rebuild Corporate Infrastructure
---------------------	----------------------	---	----------------------------------

Sector	Scope of Emissions	Metric	Mid-term target for FY3/31	FY3/23 results	vs. baseline	FY3/22 results	Baseline (Base year)
Power	Scope 1	Carbon intensity (g-CO <sub>2</sub> e/kWh)	138–195	292	-12%	320	332 (FY2020)
Oil and gas	Scope1,2, and 3	Absolute emissions (Mt-CO <sub>2</sub> e)	-12–29% (Compared to FY2020)	23.9	-41%	33.3	40.8 (FY2020)
Coal	Scope1,2, and 3	Absolute emissions (Mt-CO <sub>2</sub> e)	-37–60% (Compared to FY2020)	4.4	-68%	7.4	13.6 (FY2020)
Automobiles	Scope1,2, and 3	Carbon intensity (g-CO <sub>2</sub> e/vkm)	120–161	196	-4%	205	205 (FY2021)
Steel	Scopes 1 and 2	Carbon intensity (t-CO <sub>2</sub> e/t-Steel)	1.2–1.8	2.0	-	2.0	2.0 (FY2021)
Real estate	Scopes 1 and 2*	Carbon intensity (kg-CO <sub>2</sub> e/m <sup>2</sup> )	33.1–42.9	79.8	-1.5%	81.0	81.0 (FY2021)

\* Domestic commercial real-estates(non-recourse loans and REITs), including Scope 3 Category 13 for REITS

## ● Risk Appetite Framework (RAF)

In FY2023, we established a new climate-related category within our RAF, which is the framework for our group-wide risk management. Within this framework, we have set indicators related to Scope 3 emissions with a focus on sectors for which we have set mid-term reduction targets, and are raising the level of our management to achieve these targets.

## 3. Individual customer and project management

### ● Environmental/social risk assessment

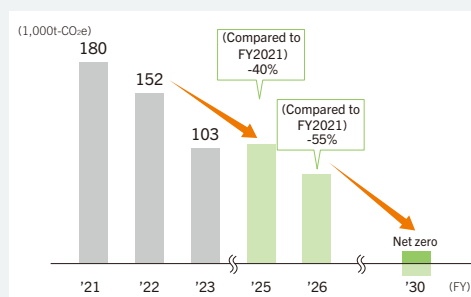
In our support for large-scale projects, we conduct environmental/social risk assessments and reflect the findings in our decisions on financing projects.

### ● Introduction of environmental and social due diligence

As a part of SMBC's efforts to assess the status of customers' actions with regard to environmental and social risks, in FY2024 we introduced environmental and social due diligence that integrates past related efforts. We will use this due diligence to raise the level of our credit evaluations and in our engagement with customers.

## Scope 1 and 2 emissions-related initiatives

While steadily supporting customers' efforts aimed at transition and technological innovation, SMBC Group is working earnestly to reduce GHG emissions in line with the targets of the Paris Agreement. For Scope 1 and 2 emissions, we have set targets of net zero by 2030. To achieve the interim goals that we set in FY2023, we are working for initiatives, such as transition to renewable energy sources for electricity at our properties in Japan. In FY2023, we achieved a 32% year-on-year reduction in emissions (preliminary data).



\* Data is changed beginning in Annual Report 2023 to reflect refinements in FY2021 data and changes from preliminary to confirmed figures in FY2022 data



## Contribution to the conservation and restoration of natural capital

SMBC Group believes that the achievement of “nature positive” is essential to halting and recovering from the loss of natural capital in order to preserve the global environment. We are registered as a Taskforce on Nature-related Financial Disclosures (TNFD) Adopter, an organization that supports the TNFD framework for properly evaluating and disclosing risks and opportunities related to natural capital. We are strengthening our information disclosure based on TNFD while offering services that support customers’ efforts.

### Examples of support for achieving “nature positive”

#### Finance Alliance for Nature Positive Solutions(FANPS)

In February 2023, SMBC Group, MS&AD Insurance Group Holdings, Development Bank of Japan, and the Norinchukin Bank established the Finance Alliance for Nature Positive Solutions (FANPS) to promote and support the nature positive transformation of corporate activities. FANPS provides solutions catalogs as well as TNFD support services to support customers’ nature positive management.



## Contribution to the Circular Economy

The present-day economic system, built on mass production, mass consumption, and mass disposal, is worsening a variety of problems such as climate change, resource depletion, and plastic pollution. In addition to the conventional “3 Rs” of Reduce, Reuse, and Recycle, importance is being placed on a shift to a circular economy that makes effective use of existing stocks and creates added value through the change from stocks to services while reducing inputs and consumption of resources.

SMBC Group will bring together the Group’s strengths in finance, leasing, consulting, and more to raise the level of our initiatives throughout the arterial and venous value chains.

### *Interview*

#### Aiming to be the leader in the circular economy

The circular economy is an area of focus in our Medium-Term Management Plan. We are expanding our business domains into second-hand sales of equipment and machinery following the expiration of lease periods, emissions compliance management services, and primary contracting for equipment and plant decommissioning, among our initiatives to achieve an economy with circular “arterial” and “venous” functions.

Many of the projects we are undertaking are in their early stage, but we aim for creating successful cases over the next few years and will advance these initiatives to earn the image of SMFL/SMBC Group as a leader in the circular economy.



**Ryoi Takahashi**

Vice President  
corporate planning Dept. / Sustainability  
Promotion Dept.  
Sumitomo Mitsui Finance and Leasing Co.

## DE&I/Human Rights

SMBC Group positions Diversity, Equity & Inclusion (“DE&I”) as a component of our growth strategy. We seek to enhance our organizational performance and maximize value creation through maximization of the capabilities of diverse human resources. In FY2023, we revised our “DE&I Statement” to further clarify the commitment by our top management.



See p. 038 “Human Resources Strategy” for details.

### Respect for human rights

#### Our basic approach to human rights

Based on our “Statement on Human Rights,” SMBC Group respects the human rights of customers, suppliers, employees, investors, and other stakeholders and fulfills our responsibilities regarding respect for human rights. In our initiatives aimed at respect for human rights, we identify adverse impacts that we may impose on the human rights of stakeholders, and strive to prevent, mitigate, and remedy them. We believe that by fulfilling our responsibilities regarding respect for human rights through such initiatives, SMBC Group can secure the trust from society, enhance our corporate value, and contribute to the creation of positive impacts in society.



#### Human rights due diligence

SMBC Group prohibits support for projects that are recognized to involve child labor, forced labor and/or human trafficking. To prevent and mitigate the risk of involvement in human rights violations within customers' supply chains, SMBC conducts checks of whether existing or potential lending customers are taking appropriate action on human rights issues.

## Interview

### DE&I exists to provide fair opportunities for all employees to strengthen the organization.

The goal of promoting DE&I is not to ensure diversity in attributes. Through the fair provision of opportunities and resources required by diverse individuals, we aim to maximize every individual's capabilities and connect this to value creation and achievements in business. To achieve this, SMBC Group strives to develop work styles and a workplace culture that let individuals work with motivation.

Humans are prone to unconscious biases in how we see and perceive things. Even when talented people come together, if the organization is highly homogeneous, the likelihood of failing to notice shared blind spots may increase. By incorporating diverse perspectives into our decision-making, SMBC Group hopes to be a flexible, strong company even in an era of rapid change.



**Chisa Kobuchi**

Deputy General Manager  
Diversity, Equity & Inclusion Deft.  
Planning Group  
Human Resources Dept.

## Poverty & Inequality

**SMBC Group is working to eliminate poverty and inequality from a medium- to long-term perspective. Taking action as a corporate citizen, we aim to create social value by breaking the negative cycle for the next generation and by contributing to financial inclusion in emerging countries.**

### Efforts to aid the next generation of children

In Japan, relative poverty of children is a serious social issue. Children in economically disadvantaged households often have fewer opportunities for education and extra-curricular learning, making development of their innate potential difficult. If these children cannot escape from poverty before becoming adults, their children will also tend to be born into poverty, in what is known as an inter-generational cycle of poverty. SMBC Group has worked to solve this issue in cooperation with companies and NPOs since FY2023. Leveraging knowledge gained through this, we aim to make our project to eradicate poverty and inequality a reality.

#### ● Learning support in cooperation with NPOs

In May 2023, SMBC Group partnered with Chance for Children Inc. (“CFC”) to provide educational opportunities to children who lack access for learning and higher education due to economic reasons. To offer opportunities for learning, CFC issues “study coupons” that children from economically challenged families can use for supplementary schooling, lessons, and other extracurricular education. SMBC Group has launched its “SMBC Group Study Coupon” project in cooperation with CFC. We are providing ¥300 million over three years while dispatching staff to CFC to support children in expanding their potential.

As aid for people affected by the 2024 Noto Peninsula Earthquake, we provided new funding of about ¥10 million for emergency aid coupons that children affected by the disaster can use to cover costs of supplementary schooling, prep schools, and lessons.

We also provide financial literacy education and career experience opportunities to children who attend after-school programs operated by the non-profit organization Chance For All.

We will continue our initiatives to provide children with opportunities for learning and experiences through cooperation with NPOs.

#### ● Learning support in cooperation with a major educational institution

In May 2023, SMBC Group teamed up with Kumon Institute of Education Co., Ltd. on initiatives to provide children who will lead the next generation with opportunities to receive education and take on challenges. In addition to the provision of Kumon-style education for children living in children’s homes, we support future independence for the children through financial and economic education by employee volunteers and provide tablets required for digital learning.



Class held through the use of study coupons

Photo: @Natsuki Yasuda

## Initiatives for financial inclusion

To expand the provision of financial products and services to unbanked individuals and businesses that face difficulty in accessing financial services, primarily in countries targeted by our multi-franchising strategy (India, Indonesia, Vietnam, and the Philippines), SMBC Group makes active efforts to promote financial inclusion.

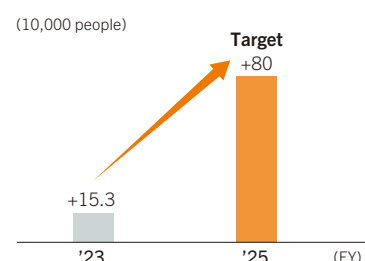
### ● Initiatives in Asia

SMBC Group is strengthening its initiatives aimed at boosting financial inclusion in emerging Asian countries. Through investee companies in Asia, we are providing financial support for small and medium-sized companies, expanding financial approaches to unbanked individuals, popularizing mobile banking accessible even in areas with no bank branches, and offering educational programs to enhance financial literacy. By the end of FY 2025, we aim to increase the number of microfinance borrowers by 800,000 compared with FY2022. Through these initiatives, we are committed to contribute to the well-being and prosperity of society and people.

### ● Collaboration with Gojo & Company, Inc.

SMBC partners with Gojo & Company, Inc. (“Gojo”), which provides microfinance to primarily small and micro businesses run by women in India. In 2023, we decided to invest ¥1.35 billion in a venture capital fund working on financial inclusion in India, established by Gojo and its founding members. We are deepening our partnership with Gojo by dispatching employees to the company as well as providing ¥9 billion in social loans to its group companies to expand financing for woman-run businesses in agricultural areas of India.

KPI: Number of microfinance borrowers



 Gojo & Company, Inc.



## Interview

The Rural Business of SMFG India Credit Company (SMICC) flexibly addresses diverse needs daily through over 550 branches in India, placing primary focus on underserved female customers in rural areas. Customers use funds obtained through rural finance to create new livelihoods through businesses such as food and clothing sales, leading to increased income and improvement in their quality of life. Stability in daily life also makes children's education possible.

SMICC goes beyond financial services to support local communities through various CSR programs including health check-ups with mobile health vans, vision care, financial education, and cattle care camps.

These initiatives secure the trust of customers and the community. We will accelerate business growth by expanding our branch network and diversifying the products and services.





**Ravikumar Doddala**

General Manager & Head of Rural Business  
SMFG India Credit Company

## Declining Birthrate & Aging Population

In the era of 100 year lifespans, an increasing-number of people are facing concerns about financial security in retirement, maintaining health, and the lack of nearby support for elderly individuals living alone. Additionally, there is a growing issue of regional disparities, where people in depopulated areas cannot access the same services as those in urban centers. To address these concerns, the SMBC Group offers a comprehensive range of services across its group companies.

The role of SMBC Group	Wealth Building Support	Life Shift Service	Digitalization of Financial Infrastructure
	Promoting NISA and investment products, as well as digital consultations tailored to customers' life stages	Set "enriching the experience of aging" as the business purpose	Through Olive, providing a wide range of financial Services regardless of regions
			

## Interview

### A Goal-Based Approach Fund Wrap to better meet customer needs in the era of 100-year lifespans

**Hashimoto:** In the era of 100-year lifespans, people's post-career "second lives" are naturally lengthening. Our new Goal-Based Approach Fund Wrap ("GBA") offers advice and after-sales follow-up for setting goals, formulating asset management plans, and achieving goals, based on customers' life plans. Its unique point of difference from conventional products is that it takes setting the customer's goals as its first step. When the amount of funds for the goal has been made clear, funds necessary for the future and funds available for consumption become clear as well. We believe that this optimizes the customer's assets overall while also relieving anxiety.

**Tomioka:** GBA was an unprecedented service, so in the launch we drew on the cooperation of many people inside and outside the Company. Five companies, including ours, participated in the implementation project. We faced numerous challenges including task management, coordination of opinions, and alignment of understanding.

In May 2023, we began offering GBA in partnership with a regional financial institution. Sales representatives from partners have come back with many positive reports, including greater ease of making proposals aligned with customers. We believe that we can build a win-win relationships with partner financial institutions, including increased profits through growth in customers' assets. I hope to open up a better sustainable future through our asset management business.



**Ikuko Tomioka**

Chief  
Business Development & Innovation  
Team  
Marketing Planning Department  
Sumitomo Mitsui DS Asset Management  
Company, Limited

**Marie Hashimoto**

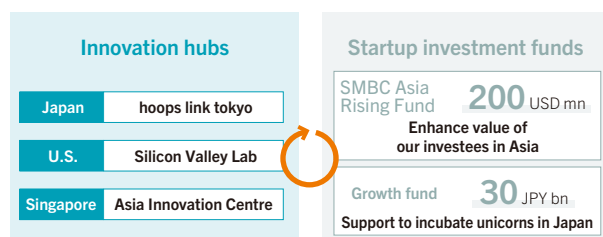


## Japan's Regrowth

Following Japan's transition from its period of high economic growth and the collapse of its bubble economy, low growth continued for a long time. Now, though, Japan faces a great opportunity to align itself toward regrowth.

At this turning point, SMBC Group is actively undertaking medium- to long-term projects that originate in social issues and that would contribute to sustainable growth in Japan. These include support for startups and venture companies, initiatives aimed at regional revitalization, provision of opportunities through sports, and other wide-ranging activities.

### Support for startups



Incubation of drug discovery seeds  
(Photo: Shonan Health Innovation Park)

## Interview

### Support for a space technology startup and contribution to the creation and advancement of new industries in Japan

**Koyoshi:** SMBC Group is actively addressing the space industry as a growth industry. As an example, the Group as a whole is providing support to ispace, a company engaged in the private sector-led lunar transport business.

**Fukushima:** At the time the company was listed, SMBC Nikko Securities served as the lead arranger of the IPO. This was its first listing of a space startup, so the project was an unprecedented and challenging one. But we studied the business's growth potential, feasibility, risks, and other factors together with experts, and made every effort to gain the understanding of the Tokyo Stock Exchange and investors.

**Nakamura:** I have worked in the Corporate Business offices since joining the bank, but this was my first experience in charge of a space startup. Although we faced uncertainties at first, we're deepening our understanding of the business through dialogue with customers and providing ongoing support through the collective capabilities of our Group. When additional financing became necessary, I was deeply impressed that Sumitomo Mitsui Banking Corporation was

able to support the customer by putting together a syndicated loan as arranger.

**Koyoshi:** Bank loans conventionally rely on financial statements and other historical performance data, which means they typically face difficulties in supporting startups. I believe that our development of a credit assessment system that emphasizes evaluation of business feasibility helped enable financing to the company.

From here on out, we hope to contribute to the creation and advancement of new industries in Japan, and thereby contribute to Japan's Regrowth.



**Takuya Fukushima**

Private Corporate  
Advisory II Dept.  
SMBC Nikko  
Securities Inc.

**Tomoki Koyoshi**

Growth Business  
Development Dept.  
Sumitomo Mitsui  
Banking Corporation

**Shota Nakamura**

Hibiya Corporate  
Business office-2  
Sumitomo Mitsui  
Banking Corporation